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29 January 1980

NOTE FOR: Harry
Hutch

FROM: Willi *GW*

RE: [REDACTED] Executive Summary

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1. I thought it might be worthwhile to tidy-up my comments on [REDACTED] executive summary. In particular, I'm concerned over their foremost conclusion: that resource allocations are pretty much compatible with priorities for political-economic activities. My skepticism on this point stems from previous analysis (see Figure 1, attached) indicating that military and S&T subjects have consistently claimed much larger shares of production dollars than their prominence in priority statements would suggest (i.e., DCID 1/2 and, more recently, the heavily political-economic NITS). Hence, I decided to probe more deeply into the basis for [REDACTED] comforting conclusion that resources and priorities were in more-or-less general agreement.

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2. This brings us to Tables One and Two (attached) in the executive summary, which appear to represent the analytic core upon which [REDACTED] has drawn its conclusions: an ordinal evaluation of political and economic intelligence activities for six geographic regions according to priority, claims on collection/processing resources, collection volume, claims on production resources, and the volumes of current and of finished intelligence products that result. In a perfectly orderly process, one would expect to see strong positive rank correlations between all of the twenty-eight paired combinations of these variables that can be created. At the head of the list, our hypothetical orderly world would show the largest volume of intelligence products being about the most important geographic region, the second largest volume about the second priority region, and so forth. We would be producing, by these crude measures at least, volumes of intelligence (forget about quality) proportionate to what is in demand. Supply would correlate with demand.

3. Reasoning downwards, we would expect the volume of intelligence products put out to also show a strong positive correlation with the amount of resources put in the production

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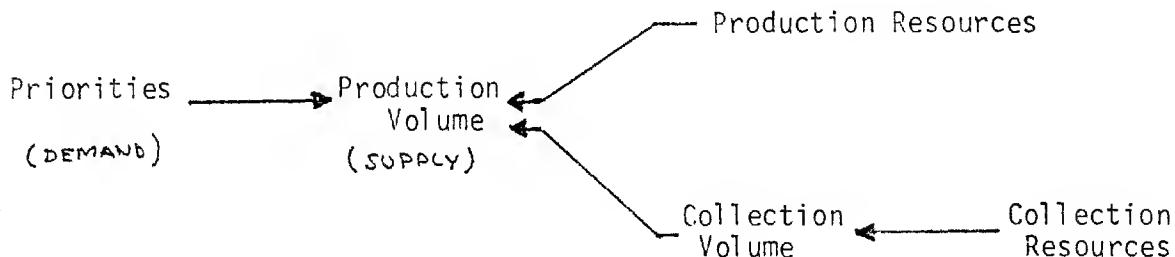
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effort and the volume of information being collected on behalf of that effort, there being no apparent reason why it should be harder to generate like intelligence products from a given amount of information for one region than another. The volume of collected information about a region should, in turn, be related to the resources devoted to collecting information about that region (although there are logical, "degree-of-difficulty" arguments as to why this particular correlation could be weaker than the others).

4. In other words, the logical chain in an orderly, tightly managed world would look like this:



In this demand-driven process, all of the supply terms would correlate positively with priorities and, consequently, with each other.

5. But precious few of these correlations emerge in the [redacted] analysis, as is vividly demonstrated by the scatter diagrams in Figures II and III, and the correlation summary in Figure IV. As these pictures show, only two statistically significant (at a 90 percent level of confidence) correlations exist among the sixteen relationships that I've checked. Both of these significant correlations pertain to the allocation of resources within the economics arena, where the regional shares of collection/processing dollars, and of production dollars, are each in close conformance with regional priorities. Otherwise, none of the relationships our logical model leads us to anticipate are demonstrated in [redacted] inquiry. To the contrary, there are more negative correlations than there are positive. The very notion of inverse relationships, which negative correlations represent, is absurd. None of the negatives are statistically significant, however, which is a good thing since we would have big problems if any were.

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6. This dearth of logically anticipated direct relationships is the critical message [redacted] analysis conveys, yet they don't talk about it at all. What [redacted] evaluation depicts is an unmanaged (non-rational, if you prefer) process. If they are confident that their methodology is sound, they should have no compunctions about boldly stating this conclusion: "Our evaluation shows very little evidence of the relationships which characterize a managed production process. Rather, the variables we have endeavored to measure reflect the relationships commonly associated with random processes." Having done so, attention could then turn to debating the merits of their approach.

7. Summarizing, the problem as I see it is this:

A. In the presence of a rational (i.e., "managed") intelligence collection and production process, we would expect to find direct relationships among all of the half-dozen variables [redacted] has identified.

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B. [redacted] analysis does not manifest these expected relationships.

therefore,

C. The relationships do not exist (i.e., the process isn't a managed one).

or

D. The relationships exist, but they have eluded [redacted]

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Willi

Attachments

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